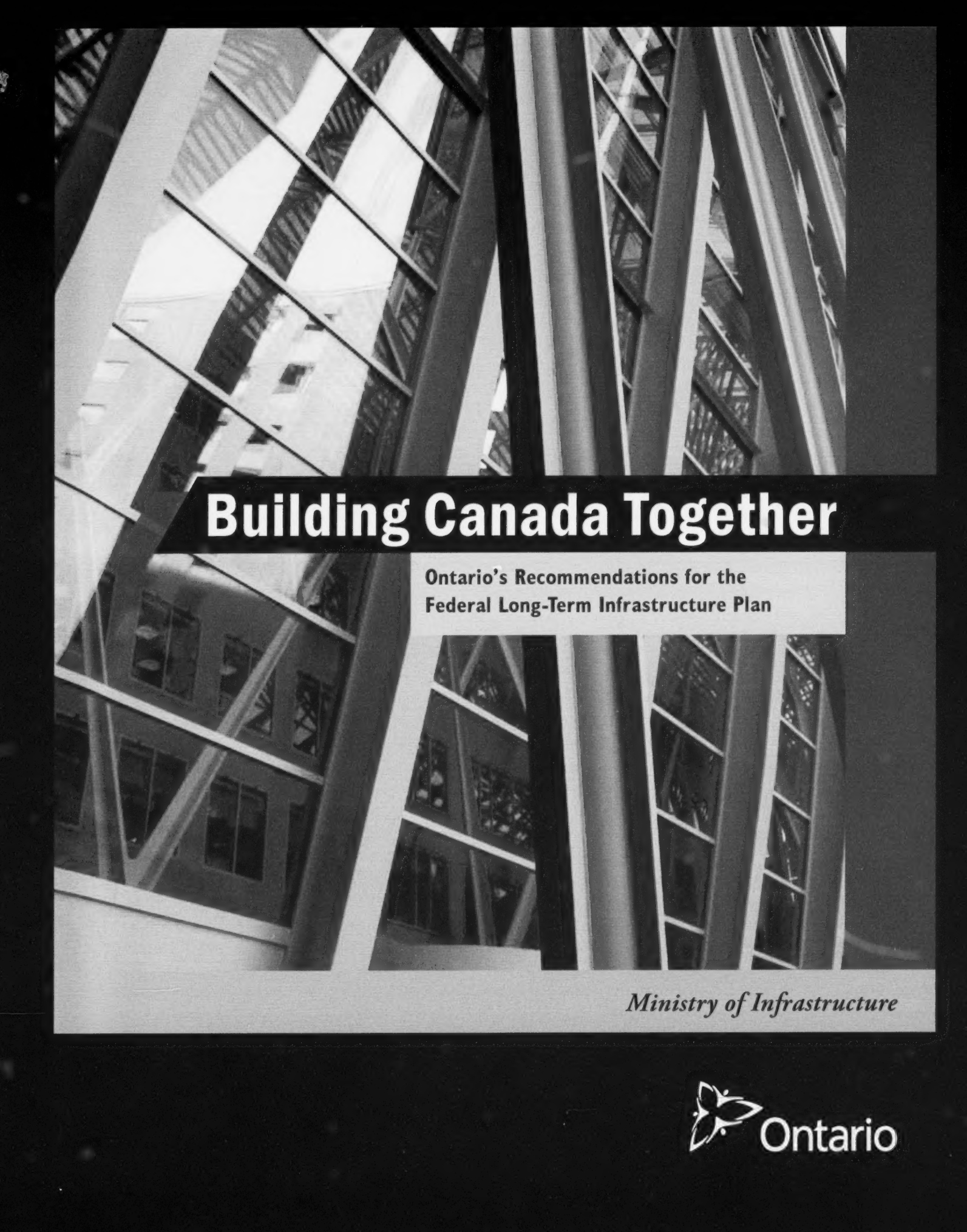


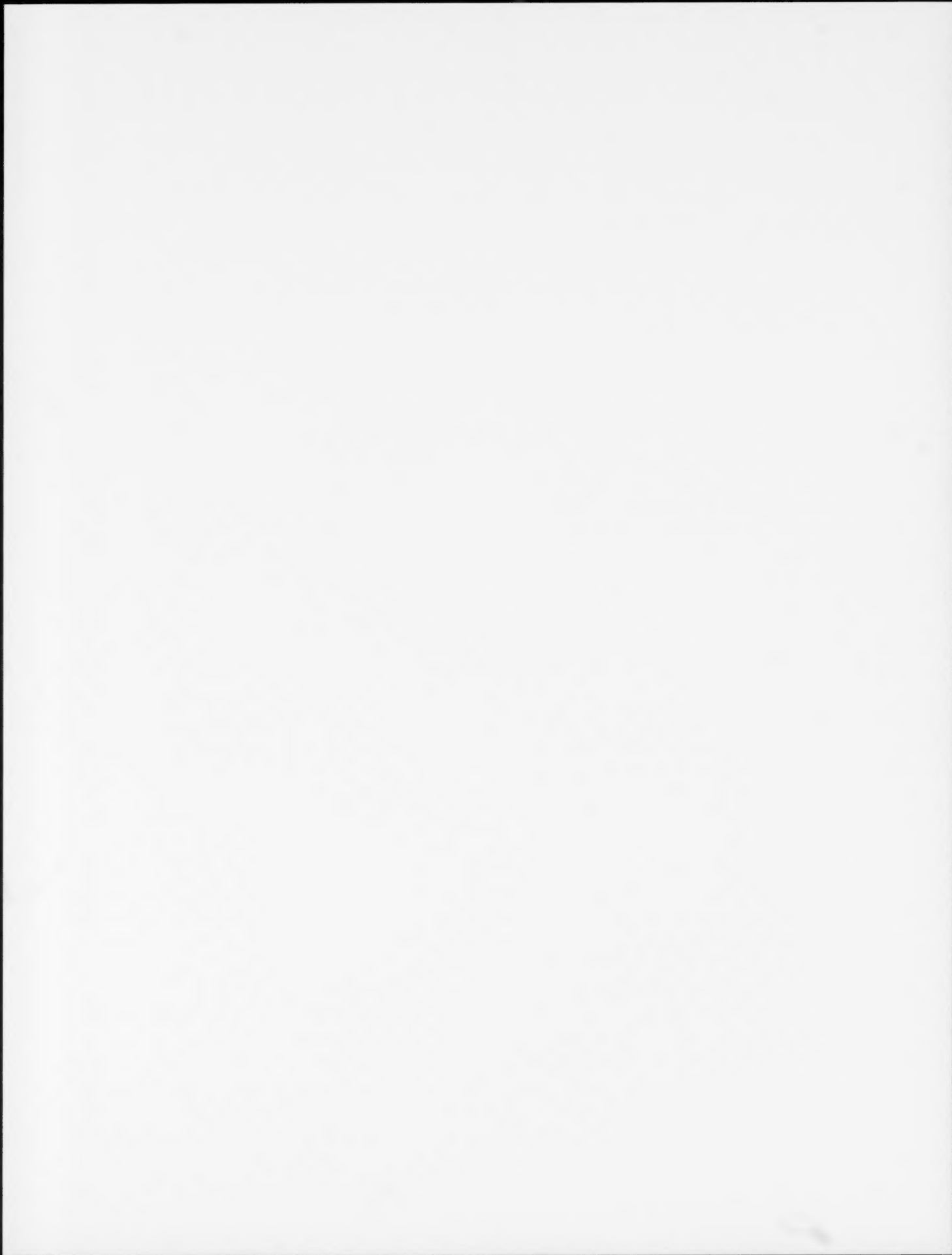


Building Canada Together

Ontario's Recommendations for the
Federal Long-Term Infrastructure Plan

Ministry of Infrastructure





Letter

from the Minister of Infrastructure and Minister of Transportation



Well-maintained infrastructure is the foundation of a strong economy, and a cornerstone of vibrant and prosperous communities. Without effective and efficient transportation networks, transit services, water and wastewater systems, and other infrastructure assets, we cannot get to work, get goods to market, or compete in the global economy.

The McGuinty government recognizes the importance of infrastructure and has invested heavily to reverse decades of underinvestment and to renew aging infrastructure. Ontario has invested more than \$75 billion in infrastructure since 2003, and we will invest more than \$35 billion over the next three years.

Not only has Ontario invested more, we have invested smarter. In June 2011, we released our first 10-year infrastructure plan, *Building Together*, which lays out a strategic framework for investment to support economic growth and strong communities. This plan includes important steps to make the most of our limited resources and to be good stewards of assets, by strengthening asset management, improving procurement, and working with our partners in the federal government, in the municipal sector, and in industry.

The federal government has been an important partner in addressing the province's infrastructure needs. Through the Building Canada Plan and the Economic Action Plan, Ontario and the federal government have taken great strides together in responding to investment needs and building for a prosperous future. Ontario recognizes the increased level of federal infrastructure funding to provinces, territories and municipalities in the last decade.

But, the job is not done; infrastructure must remain a priority. Across the country, investment is needed from all orders of government to maintain critical assets and develop new infrastructure so Canada can remain competitive in the global marketplace. Ontario is committed to the task, and we are pleased the federal government has committed to developing a long-term infrastructure plan.

Based on our experience developing our own long-term infrastructure plan, as well as ongoing research and consultations, Ontario is pleased to provide recommendations for the federal long-term infrastructure plan, and hopes that the federal government will give them serious consideration. A long-term federal plan with predictable funding will facilitate smart planning and investment by Ontario and other jurisdictions. We look forward to working with the federal government to develop a plan that supports economic growth and competitiveness, and that makes the best use of public resources in this period of economic uncertainty and fiscal restraint.

A handwritten signature in dark ink, appearing to read 'Bob Chiarelli'.

Bob Chiarelli
*Minister of Infrastructure,
Minister of Transportation*



Contents



1. Introduction

Infrastructure: A National Priority	4
The Importance of Long-Term Infrastructure Planning	4
Principles for the Federal Long-Term Infrastructure Plan	6



2. Invest in Key Economic Infrastructure

Infrastructure Investment: A National Economic Imperative	8
The Importance of Core Economic Infrastructure	10
Focusing Federal Investment on Core Economic Infrastructure	16
Building our Nation: A National Public Transit Strategy and a National Border Crossings and Gateway Strategy	16



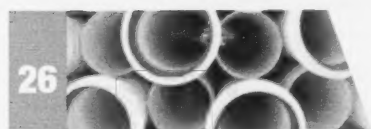
3. Increase Federal Investment

Increasing Investment to Remain Globally Competitive	18
The Federal Responsibility to Invest More	18



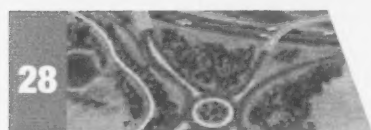
4. Investing in Ontario to Invest in the Nation

Ontario's Importance in the National Economy	22
Investing in Ontario to Maximize Return on Federal Investment	25
A Fair and Strategic Method for Allocating Funding	25



5. Asset Management Planning

The "Information Gap" in Infrastructure Investment	26
How to Incorporate Asset Management in the Federal Long-Term Infrastructure Plan	27



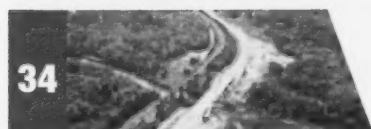
6. Private Sector Innovation

Maximizing Value for Money Through Alternative Financing and Procurement	28
How to Promote Innovative Financing in the Federal Long-Term Infrastructure Plan	28



7. Streamline Administration

Investing in Projects that Deliver Maximum Benefits	30
Emphasizing Outcomes and Efficiency in Program Administration	31



8. Conclusion

A Federal Long-Term Infrastructure Plan to Promote Competitiveness and Economic Growth	34
Summary of Ontario's Recommendations	



9. Notes

Notes	38
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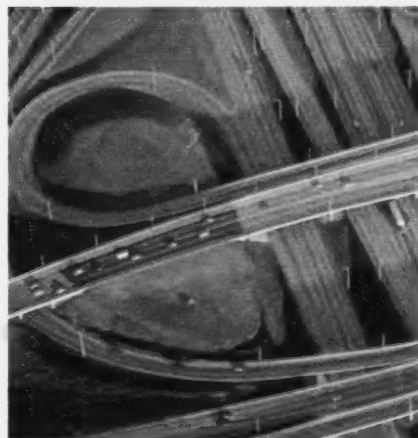
chapter 1 | Introduction

Infrastructure: A National Priority

Canada's economy is at a critical juncture. As noted in the 2012 Federal Budget, Canada is emerging from a recession, but faces "a fast-changing global environment, with increasing competition from emerging market countries and a global economy that remains fragile and uncertain." Ontario's economy is getting stronger, and the McGuinty government is taking strong action to grow the economy and create jobs. But more hard work by all orders of government is needed as we face fiscal constraints and economic challenges at home and globally. This must be considered a shared, national policy objective.

Infrastructure is crucial to economic growth and competitiveness at the national, provincial, territorial, and municipal levels. Our economy and quality of life depend on well-maintained and effective infrastructure. This is why Ontario has made real progress in reversing the infrastructure deficit and making investments to support our economy and communities across the province. From 2004-05 through 2011-12, Ontario invested an average of \$9.5 billion per year in public infrastructure, and will invest more than \$35 billion over the next three years.

Of course, delivering on infrastructure projects requires collaboration across all orders of government. All governments must work together to realize the optimal level of investment in infrastructure, and invest in a way that best supports Canada's economic future. Through the Building Canada Plan, the federal government, Ontario, and our



municipal partners have collaborated to deliver infrastructure projects that support a strong economy — locally, provincially and nationally.

The infrastructure deficit "is a pan-Canadian challenge that must be resolved by all three orders of government — federal, provincial, and municipal — working in partnership."

— Hon. Bob Chiarelli, Minister of Infrastructure and Minister of Transportation for Ontario

Ontario has been encouraged by the federal government's increased investments in infrastructure over the last decade, and is pleased the federal government is engaging provinces, territories, municipalities, and stakeholders to develop the federal long-term infrastructure plan. The federal long-term infrastructure plan is an important opportunity to ensure Canada's economy continues to move in the right direction.

In developing our recommendations, the Ontario Ministry of Infrastructure consulted widely across Ontario government ministries and with our municipal partners, including the Association of Municipalities of Ontario and the City of Toronto. We also reviewed the latest research from think tanks, academe, international organizations,

and other governments worldwide.

Our recommendations are based on sound evidence, stakeholder input, and due regard for the federal government's Canada-wide responsibilities and goals.

The Importance of Long-Term Infrastructure Planning

Delivering well-maintained infrastructure that meets society's needs requires a long-term plan to direct investment decisions and to reflect the long-term nature of infrastructure assets. Infrastructure planning must take into account present and future needs, which is why Ontario and governments across Canada and around the world, including the United Kingdom and New Zealand, have developed long-term infrastructure plans.

"Virtually all key decision-makers, including hospital chief executive officers, university presidents, city managers, and construction industry leaders, are now looking at time horizons of 10 years or more for critical infrastructure decisions. They need government partners with the same planning horizon."

— Hon. Bob Chiarelli, Minister of Infrastructure and Minister of Transportation for Ontario

In Ontario's experience, long-term infrastructure planning has been crucial to delivering infrastructure that supports a strong economy and prosperity. In 2005, we released our first five-year infrastructure plan, *ReNew Ontario*. From 2009 to 2011, Ontario delivered infrastructure projects to counteract the global economic crisis and secure Ontario's economy. In preparing Ontario's first 10-year, long-term infrastructure plan, we convened roundtable meetings that included Ontario's municipal leaders, community representatives, project designers and builders, and individual Ontarians. Many organizations and individuals also provided written submissions. These conversations helped shape Ontario's plan. Specifically, we heard from municipal, broader public sector, and industry leaders that governments must deliver infrastructure plans that reflect their own 10-year (or longer) planning horizons. Accordingly, Ontario launched its 10-year plan, *Building Together*, in June 2011.

Ontario's long-term infrastructure plan is based on three overarching themes: investing for future prosperity; aligning public services with demographic change; and ensuring good stewardship through proper asset management. These themes demonstrate Ontario's commitment to not merely investing more in infrastructure, but investing *smarter*, in order to deliver maximum benefits across the province.

Furthermore, Ontario's long-term infrastructure plan is in line with leading practices in infrastructure planning: it is long-term to facilitate effective planning; it is based on sound principles and evidence; and it takes into account broader economic and social needs, challenges, and trends. Ontario believes the federal long-term infrastructure plan should do the same, and we are pleased to make recommendations to develop an effective federal plan.



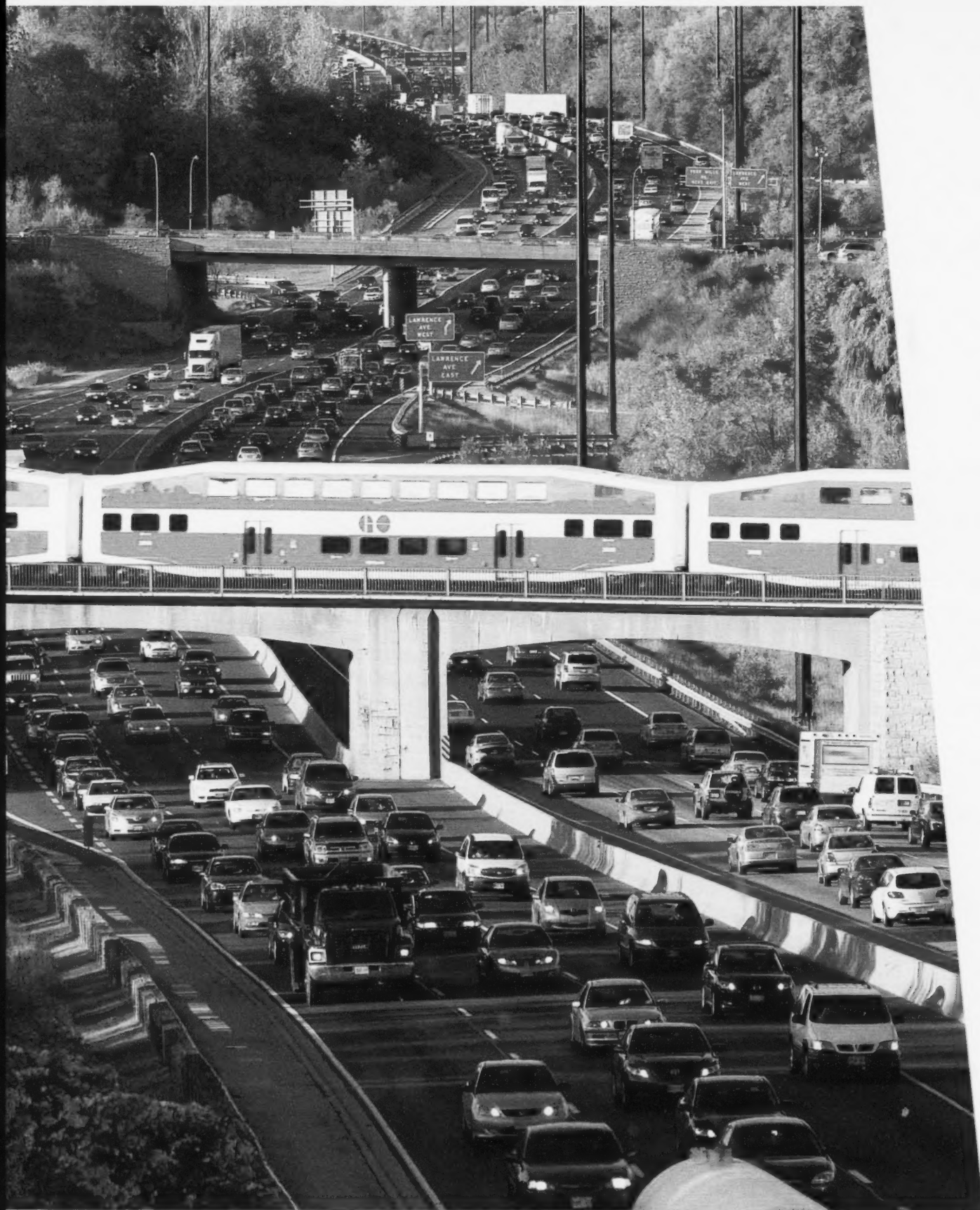
Principles

for the Federal Long-Term Infrastructure Plan

Ontario has identified five principles that we believe should be the basis of the federal long-term infrastructure plan. The five principles reflect our stated principles in *Building Together*, as well as our research and consultations with municipal partners and stakeholders. Moreover, the principles reflect 'lessons learned' from the Building Canada Plan and the Economic Action Plan. Each section of this document outlines specific recommendations to put these principles into action:

- ◆ **Invest in key economic infrastructure:** In this difficult period of fiscal restraint and economic uncertainty, federal infrastructure investment should focus on core economic infrastructure that is critical to building prosperity for all Canadians.
- ◆ **Increase federal investment:** Delivering adequate infrastructure investment is a national economic imperative. Federal infrastructure funding to provinces and territories should increase given federal capacity and opportunity to invest, and should be allocated across provinces and territories based on a fair and strategic methodology.
- ◆ **Asset management planning:** Effective asset management planning and information should be incorporated into investment decision-making at all orders of government, and jurisdictions should receive support in strengthening their asset management capacity as needed.
- ◆ **Private sector innovation:** Leveraging private sector resources and expertise is a proven strategy to make the most use of limited public investment dollars.
- ◆ **Streamline administration:** Federal programs should be designed to increase the focus on outcomes and on maximizing positive benefits from investment. This includes redefining incrementality and cost-sharing requirements, as well as streamlining administrative processes. Projects on track to proceed should be eligible for federal government funding.

Developing a long-term infrastructure plan for Canada is an important step in securing our country's future prosperity, and advancing our country's position as a leader in smart, strategic public infrastructure investment. It is a shared responsibility of all orders of government across Canada.



chapter 2 | **Invest** in Key Economic Infrastructure

Infrastructure Investment: A National Economic Imperative

Well-maintained public infrastructure is the backbone of a strong economy. Experts agree that in order to remain economically strong and competitive, countries must invest in maintaining, renewing, and developing new infrastructure. The World Economic Forum's *Global Competitiveness Report 2011-2012* identifies infrastructure as one of the 12 pillars of economic competitiveness, noting: "Extensive and effective infrastructure is critical for ensuring the effective functioning of the economy."¹ Not surprisingly, the quality

and availability of infrastructure is an important consideration for businesses when deciding where to invest.

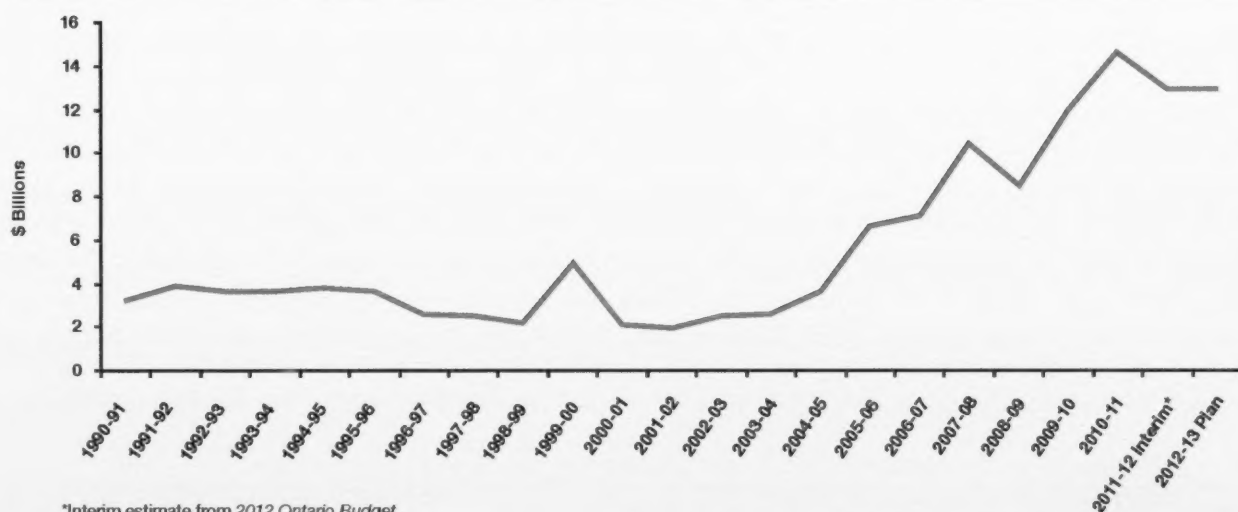
"Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions."

***– World Economic Forum,
Global Competitiveness Report
2011-2012, 2011.***

Governments across Canada, including the federal government and the Ontario government, have increased infrastructure investment in the last decade to renew, repair, and develop our infrastructure assets. Underinvestment in the 1970s, 1980s, and 1990s meant that Canada had accumulated a significant infrastructure deficit by the end of the 20th century. Assets developed in the post-war boom era of 1945 to the early 1970s required extensive repair and renewal as they reached the end of their life cycles. Ontario addressed this issue and has since 2003 ramped up its investment in infrastructure, since 2003; an era of renewal for the province. The federal government has also made notable progress in increasing



Ontario's Total Infrastructure Investment Since 1990-91



infrastructure funding to provinces, territories and municipalities through the Building Canada Plan and the Economic Action Plan.

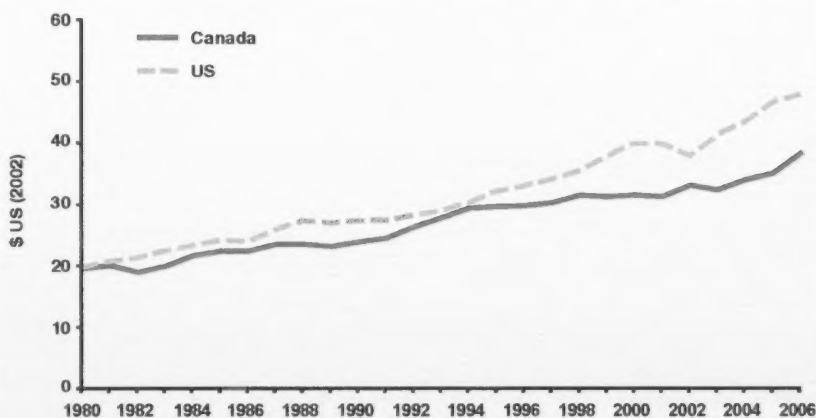
However, the job is not done. Across Canada, public infrastructure investment must increase to reach optimal levels that maximize economic gains. Our economic growth depends on investing more in infrastructure renewal and development.

Attracting business investment to our communities also depends on improved infrastructure. Industry analysis from Booz Allen Hamilton estimates that between 2005 and 2025, US \$41 trillion needs to be invested in infrastructure worldwide to support global economic growth and development.² Canada must get ahead of its global competitors to attract businesses, and strengthening infrastructure is a proven strategy. In fact, in a 2009 survey of executives from 21 countries, 90 per cent said that the quality and availability of infrastructure *directly* influences their choice in locating and expanding business operations.³ According to Statistics Canada, each dollar of public infrastructure spending can decrease business costs by 11 cents and decrease manufacturing costs by 22 cents,⁴ making it an effective strategy for attracting business to Canada.

Infrastructure investment is also essential for Canada to close the persistent "productivity gap" and remain competitive in the global economy. The Organisation for Economic Co-operation and Development (OECD) has noted that despite Canada's highly-educated workforce, Canada still ranks in the bottom half of OECD countries on productivity.⁵ Infrastructure plays a role in addressing this problem. Public infrastructure constitutes a vital input for private sector production. It enables the concentration of economic resources and provides wider and deeper

markets for output and employment. Over the long term, the productivity of private capital is enhanced by public infrastructure. As seen in the graph below, the Institute for Research on Public Policy found that manufacturing productivity levels in the United States pulled ahead of Canada's between the mid-1990s and 2006 — the same period infrastructure investment declined by 3.5 per cent in Canada and grew by 24 per cent in the United States. Furthermore, a 10 per cent annual increase in infrastructure investment in Canada could lower manufacturing unit

Manufacturing Output Per Hour Worked in Canada and the United States, 1980-2006





production costs by nearly five per cent annually, which is equivalent to a five per cent increase in productivity.⁶ Looking specifically at Ontario, the Conference Board of Canada concluded that public capital contributed 12 per cent of labour productivity gains from 1980 to 2008.⁷

In a period of fiscal restraint and economic challenges, infrastructure is a sound investment of public funds because it delivers substantial economic returns. The Canadian Centre for Policy Alternatives has calculated that infrastructure spending can create more than twice as many jobs as personal income tax cuts in the same amount.⁸ Research shows that the rate of return on public capital in Canada has been estimated by experts to be between 11 per cent and 25 per cent.⁹

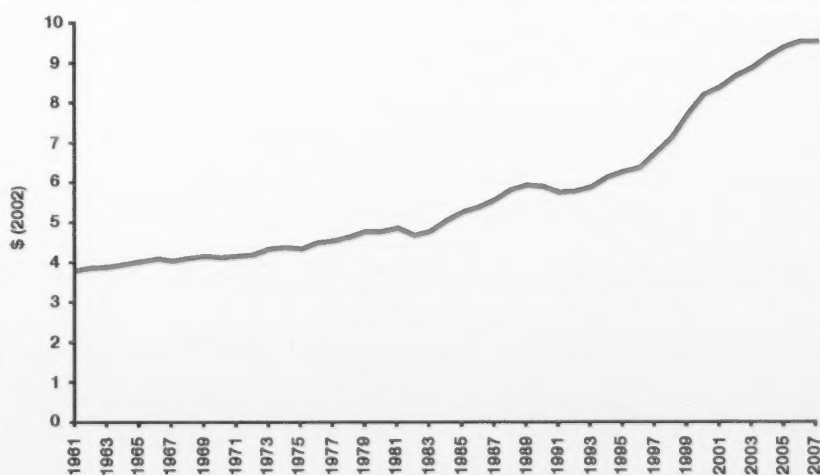
Furthermore, according to the Institute for Research on Public Policy, the ratio of gross domestic product (GDP) to unit of public infrastructure has increased over time, as seen in the graph below. The rising ratio of GDP to unit of public infrastructure may reflect more efficient use of public infrastructure to support economic growth, but it also highlights a need for more infrastructure investment. Canada has invested in other, less efficient, inputs to production rather than infrastructure, driving up the ratio of GDP to infrastructure.¹⁰

The 2012 federal budget reiterated the federal government's commitment to support job creation, economic growth, and global competitiveness. Infrastructure investment is undeniably a precursor to achieving these objectives.

"There is little doubt that reliable and quality infrastructure is crucial to trade, productivity and economic growth ... the rate of expansion of infrastructure capital tends to closely match trend growth in real GDP."

– TD Economics, Special Report: Much Ado About Infrastructure, 2009.

GDP Per Unit of Infrastructure Capital in Canada (Infrastructure Productivity), 1961-2007



The Importance of Core Economic Infrastructure

Not all infrastructure assets deliver the same economic benefits. Ontario's own long-term infrastructure plan, *Building Together*, emphasizes core economic infrastructure that gets goods to market, moves commuters between their homes and workplaces, and is necessary for businesses to operate across the province. Businesses also look for these assets when deciding where to invest. Core economic infrastructure primarily refers to:

- ◆ highways;
- ◆ roads and bridges;
- ◆ border crossings and gateways;
- ◆ public transit;
- ◆ water systems; and
- ◆ wastewater systems.

Core economic infrastructure investments tend to produce faster and more abundant returns on investment than investments in other types of infrastructure. As well, industry sectors that are heavy users of core economic infrastructure tend to be very large and are, therefore, drivers of economic growth. In fact, studies have demonstrated that core economic infrastructure produces larger economic benefits than other types of infrastructure at a ratio of 2:1.¹¹ In a period of fiscal restraint, the federal government should focus investment on infrastructure that delivers significant returns to local economies and the national economy as a whole.

Transportation infrastructure — highways, roads, bridges, and transit — is the circulatory system of an economy, moving goods and people. The Conference Board of Canada concludes that strong transportation helps match workers to jobs, which increases productivity and combats unemployment. Transportation also expands firms' access to suppliers and buyers, and generates knowledge spillovers among people and firms by supporting greater interaction. Firms can also realize cost-sharing benefits if they are well-connected through transportation networks.¹² To further illustrate the importance of transportation infrastructure, a 2009 global survey of

executives concluded that transportation infrastructure poses the greatest challenge to businesses, in terms of operating costs, attracting employees, growth, competitiveness, and investment. In every region of the world, including North America, roads were a top area of concern.¹³

Transportation infrastructure is particularly critical for the development of northern communities. Northern Ontario contains large areas of wealth and prosperity, including valuable resource opportunities that will benefit Canada's economy. Transportation infrastructure connects northern communities with one another, connects goods to international markets, and delivers essentials like food, fuel, and emergency services to remote communities.

"The transportation sector is an economic enabler for the Canadian economy, allowing value-added sectors to develop, to create jobs, and to compete."

— Canadian Chamber of Commerce, Transportation Strategy, 2009.

The Ring of Fire, in particular, is one of the most promising mineral development opportunities in Ontario in almost a century, and transportation infrastructure is an important factor in realizing its potential. Current estimates project the multi-generational potential for chromite production, as well as significant production of nickel, copper and platinum. Mining these mineral deposits will help create jobs and better position the northern economy and Aboriginal communities for future growth. Transportation corridors will enable access to mining sites and will also support socio-economic development by linking remote communities.

The provincial government's Growth Plan for Northern Ontario demonstrates Ontario's commitment to delivering this infrastructure to support northern communities. Since 2003, Ontario has invested \$3.4 billion in northern highways and roads, including support for local road boards, resource access roads, and winter roads. The federal government is an important partner to fully realizing this region's potential. Ontario encourages the federal government to make transportation infrastructure an investment priority in its long-term infrastructure plan.



Public transit infrastructure is a specific component of Canada's transportation system that is essential to our continued economic growth. Ontario acknowledges the contributions made by the federal government to public transit systems across Canada and in Ontario, particularly in our major metropolitan regions like the Greater Toronto and Hamilton Area (GTHA), Ottawa, and Waterloo. Given the significant economic benefits of transit, and the escalating crisis of congestion, public transit funding should be a major focus of the federal long-term infrastructure plan.

"As increasing numbers of Canadians are relying on public transit, our cities must be able to meet that demand. This means renewing and expanding rapid bus, light rail and subway systems, and building new terminals, stations and facilities."

— Infrastructure Canada, Infrastructure Spotlight: Improving Public Transit for the 21st Century, 2012.

Infrastructure Canada's 2012 publication, *Infrastructure Spotlight: Improving Public Transit for the 21st Century*, identifies several key benefits of public transit: moving commuters to and from work; improving quality of life; attracting businesses and skilled employees to cities; and combating urban traffic congestion and its associated costs.¹⁴ Reducing commute times and travel costs to employees by improving public transit also increases commuters' productivity and enables firms to access more talented employees.

Infrastructure Canada's *Infrastructure Spotlight* also rightfully noted that public transit access is particularly helpful for newcomers to Canada and young Canadians seeking to participate in our economy and communities.¹⁵ Furthermore, with an aging population, more people will rely on transit, as opposed to cars, in their everyday lives, and public transit systems will need to be even more accessible and coordinated. Delivering expanded and accessible public transit options requires focused investment.

Investing in transit infrastructure projects also delivers immediate tangible economic benefits. For example, each dollar of real capital investment in the Metrolinx Regional Transportation Plan for the Greater Toronto and Hamilton Area, *The Big Move*, would boost Ontario's GDP by \$1.19.¹⁶ As well, manufacturing transit vehicles and operating transit systems support jobs: Canada's transit systems employ 50,000 workers and support 25,000 more jobs in other sectors — more jobs than the population of Saint John, New Brunswick.¹⁷

Of most urgent concern is the importance of transit for alleviating congestion. Ontario's cities, particularly in the GTHA, are facing a congestion crisis that threatens to drive away businesses and prosperity. Congestion drives away skilled employees, wastes labour productivity, slows down the movement of goods, and thwarts the ability of businesses to operate and grow. In Toronto, round trips to and from work take an average of 80 minutes, which is the longest commute



time out of 21 major global cities — longer than London, New York, Paris and Los Angeles.¹⁸ It has been estimated that congestion in the GTHA costs \$6 billion annually.¹⁹

In a 2011 examination of 24 top metropolitan regions around the world, Toronto ranked 8th overall, with a fourth place finish in labour attractiveness. The Toronto region's ranking was pulled down by transportation issues, particularly a last place finish on commute times (80 minutes on average).

– Toronto Board of Trade, Toronto as a Global City: Scorecard on Prosperity 2011, 2011.

What is more, the problem is only going to get more challenging. The number of weekday morning car trips in the GTHA is expected to grow from two million to three million by 2031, costing the GTHA \$15 billion.²⁰ This led expert Eric Miller from the University of Toronto to note that congestion is “almost a life-and-death thing for the city ... Eventually, people will stop coming here to live. Jobs will move away because it is simply not an attractive enough place.”²¹

The problem of congestion in Ontario is greatest in the GTHA, but is also a concern in other major cities. In Ottawa, demand for morning peak hour person-trips is forecasted to increase by 38 per cent between 2005 and 2031. To combat congestion, Ottawa is aiming for a 70/30 transport modal split between automobile and public transit, but notes that achieving 30 per cent public transit ridership is a “real challenge” requiring the comprehensive implementation of “service strategies, transit priority measures, rapid transit lines and a variety of essential supporting actions...”²² In the Waterloo Region, the road system is becoming strained despite investment in renewal and expansion. The Region reports that “about 210 lane kilometres of the major road network in the urban areas are at or over capacity during



Ontario is making important investments to modernize our transit system and fight congestion. One such example is the Air-Rail Link (ARL). The ARL will provide direct rail service between Toronto's Union Station and Pearson International Airport. More than five million people travel between downtown Toronto and Pearson International Airport annually, and that number is expected to grow to nine million by 2020. The ARL will carry 5,000 passengers daily on the 25-minute journey, offering service every 15 minutes. It is expected that the ARL will remove 1.2 million car trips from the road in the first year alone.

the afternoon peak hour ... If the Region continues to address growing congestion through road expansion only, we would need to expand the road network by about 25 per cent by 2031.” Such “road-centred solutions” are unsustainable, since land is not available for expansion.²³

Ontario has invested over \$13 billion to support public transit across the province since 2003, and has collaborated with the federal government on several important investments. For example, to meet the mobility needs of Ottawa's growing urban population, Ontario and the federal government have each

committed \$600 million in funding to support rapid transit in the City of Ottawa. To support rapid transit in Waterloo Region, Ontario has committed \$300 million and the federal government has committed \$265 million. In fact, Ontario has been identified as the largest investor in transit in Canada.²⁴ We plan to invest significantly in transit going forward, but we also require the federal government's ongoing and adequate support.

Ontario is not alone in calling for ongoing and increased federal support for public transit. The House of Commons Standing Committee on Transport, Infrastructure and Communities recommended: “As part of the new infrastructure plan ... the Government of Canada should continue to recognize the importance of transit to the economic health, quality of life and technological advancement of Canadian communities and the people who live in those communities.”²⁵

In a survey of 115 office and industrial tenants in the Greater Toronto Area, 76 per cent said that access to transportation hubs was a dominant factor when deciding where to locate their offices, and 63 per cent cited public transportation access.

– Colliers International GTA Tenant Sentiment Survey, 2010.

Border crossings and gateways are also integral assets to Canada's economic future. Through its Gateway initiatives and emphasis on international trade, the federal government clearly recognizes that Canada is an open economy that relies on cross-border production lines, trade, and tourism. According to Statistics Canada, total exports equalled 31.1 per cent of Canada's GDP.²⁶ While Canada is diversifying its trade activity worldwide, trade to the United States alone represented 73.7 per cent of total exports in 2011.²⁷ The following map illustrates the significant volume of economic activity that travels through Canada's major gateways, and how international trade activity is concentrated in specific regions.²⁸

Federal, provincial and territorial governments are working to further promote trade opportunities through the negotiation of new trade agreements. These efforts need to be supported by strong transportation connections to borders and gateways. Congestion and capacity constraints must be addressed.

Ontario acknowledges that the federal government has invested in border crossings and gateways through the Gateways and Border Crossings Fund, and the Gateway initiatives. Ontario and other gateway provinces require continued federal investment to support the renewal and expansion of border crossings and trade corridors, which are the vital arteries of Canada's international trade activity.

The federal government's commitment to contribute half of the eligible capital costs up to \$1 billion for Ontario's Windsor-Essex Parkway construction project is an example of the type of investment that should continue in the federal long-term infrastructure plan. The Windsor-Essex Parkway is a six-lane, 11-kilometre freeway being delivered by Infrastructure Ontario that will provide a direct connection from Highway 401 to the United States Interstate Highway System — keeping traffic moving securely and efficiently. Improved traffic flow will make it easier and faster for Canada and the United States to conduct daily business, while boosting the local economy. Border crossings and gateways are a strategic area of cooperation between the federal and provincial government.

Canada's Border Crossings and Gateways

Canada's west coast ports handle almost 75% of the country's export trade (value) to Asia.

More than 75% of container traffic through the Port of Halifax is delivered by rail to central Canada and the United States.

The top six border crossings — Windsor, Fort Erie and Sarnia in Ontario, Lacolle in Quebec, Emerson in Manitoba, and Pacific Highway in British Columbia — together handle around 73% of total truck traffic by value.

Toronto's Pearson International Airport is Canada's busiest, handling around 51% (value) of international air cargo and 45% of total international passenger traffic.

The top five Canada-United States border crossings are located along the Ontario-Quebec corridor. This represents almost 65% of the total trucks crossing the Canada-United States border.



Water and wastewater infrastructure is the final component of core economic infrastructure that must be an investment priority. Water is an essential input to industries and to communities where Canadian families live and work. Ontario has invested heavily in water and wastewater infrastructure. Since 2003, Ontario has committed roughly \$1.8 billion in grants and, through Infrastructure Ontario, \$1.9 billion in loans for municipal water and wastewater infrastructure.

However, more investment is needed in Ontario and across the country, as many systems are at, or close to, the end of their useful lives. Statistics Canada's study of the age of public infrastructure found that wastewater treatment assets had passed 63 per cent of their useful life by 2007.²⁹

Investing in water and wastewater infrastructure supports economic activity in many large sectors, and also creates new jobs.³⁰ In 2009, the Federation of Canadian Municipalities estimated that investing in under 400 water and wastewater projects across Canada would create nearly 31,000 new jobs — approximately the population of Stratford, Ontario.³¹

Ontario's commitment to ensuring the financial and environmental sustainability of water and wastewater systems is detailed in our long-term infrastructure plan, *Building Together*. For example, Ontario intends to consult broadly with municipal, water sector and community stakeholders on municipal water sustainability planning such as described in the *Water Opportunities Act, 2010*. Sustainability planning will promote consistency in setting priorities for water services, and promote consistency in the development, measurement and reporting of performance indicators. Activities like this can support improved asset management and financial management practices. Federal government support is necessary to renew aging water and wastewater systems while also responding to population growth and climate change.

Ontario is also committed to promoting innovation and conservation to make the most efficient use of our water resources. Ontario's long-term infrastructure plan includes a commitment to encourage municipalities to collaborate with other sectors — industry, academia, and other orders of government — to implement new and emerging water and wastewater approaches and innovative technologies. We are also working with municipalities to encourage them to make the best use of existing infrastructure, and to promote conservation among residents. Ontario looks to the federal government to also provide funding to support municipalities as they address their water and wastewater challenges.

Focusing Federal Investment on Core Economic Infrastructure

In a period of fiscal restraint, the federal government should focus investment on maintaining and developing infrastructure assets that deliver the most direct, sustained, and valuable return on investment to local economies and the national economy. This means focusing on the core economic infrastructure assets as previously identified.

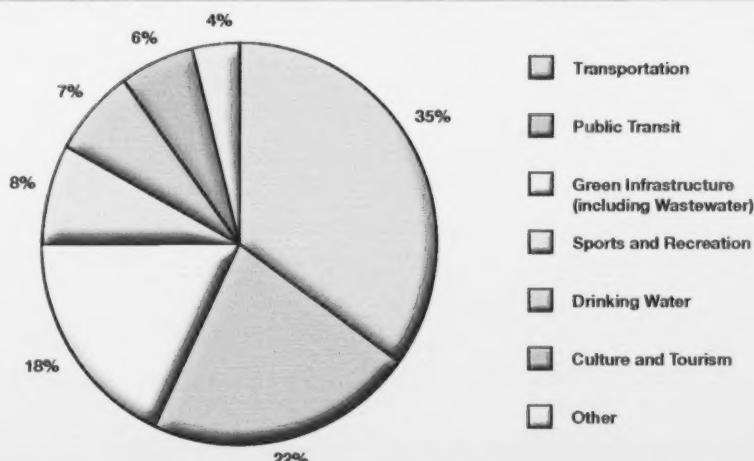
Since 2007, and as seen in the accompanying graph, large shares of the federal government's funding commitments through the Building Canada Plan and the Economic Action Plan have been geared toward core economic infrastructure, for example, 35 per cent to transportation and 22 per cent to public transit.³² Ontario believes the federal government should focus investment even more sharply on economic fundamentals that strengthen competitiveness and growth in our communities — urban and rural, large and small, northern and southern. Federal infrastructure funding programs should focus on:

- ◆ highways;
- ◆ roads and bridges;
- ◆ border crossings and gateways;
- ◆ public transit;
- ◆ water systems; and
- ◆ wastewater systems.

Federal funding should be delivered to projects supported by asset management plans and strong business cases that incorporate objective evidence to demonstrate anticipated economic impacts to the local, regional, and/or national economy.

Of course, other types of infrastructure, beyond the core economic assets identified above, can deliver significant economic benefits. Federal infrastructure funding should focus on core economic infrastructure, but should not exclude other infrastructure categories provided these projects are also supported by strong business cases.

Federal Infrastructure Funding Across Categories*



*Funding includes Building Canada Fund – Major Infrastructure Component, Building Canada Fund – Communities Component, Infrastructure Stimulus Fund and Green Infrastructure Fund. Funding categories reflect Infrastructure Canada's categorization of investments.

Source: Infrastructure Canada, Building for Prosperity: Public Infrastructure in Canada, 2011.

Building our Nation: A National Public Transit Strategy and a National Border Crossings and Gateway Strategy

In addition to a general focus on core economic infrastructure, Ontario believes the federal government must recognize the significance of certain infrastructure categories through targeted national funding strategies, specifically for public transit and border crossings and gateways. Public transit and border crossings and gateways are two categories of infrastructure that are critical for nation-building and for Canada's economic future. The federal government has invested in these core economic infrastructure assets through the Building Canada Plan. Given their national significance and considerable costs, Ontario believes the federal government should deliver dedicated funding for these assets in the federal long-term infrastructure plan.



Funding for these strategies should be allocated using relevant metrics that align investment with actual economic activity and need. Ontario calls on the federal government to develop a national public transit strategy, and a more robust national border crossings and gateway strategy.

A national public transit strategy is necessary given the numerous benefits of public transit to Canadians, and to address the economic crisis of congestion choking Canada's major urban centres. The federal government has delivered funding for public transit through various programs in the past, but without a permanent, dedicated funding program, transit is just one of many priorities competing for federal investment. A dedicated program that is long term and predictable would help expand transit services, promote integration, and reduce congestion to keep our cities moving and working efficiently.

Furthermore, transit funding should align investment with actual activity and funding need. Ontario encourages the federal government to deliver targeted funding for public transit systems to provinces and territories, based on relevant metrics: share of total national ridership and population. Ontario's Gas Tax Program can serve as a useful model for determining the optimal allocation of funding. Ontario distributes gas tax revenues to municipalities

using a formula based 70 per cent on ridership, and 30 per cent on population. This has been recognized as a principled approach to targeting funding where it is needed most.³³

"In order to maximize the economic and environmental returns on this investment [in public transit], it must be targeted to Canada's largest cities. Sharing or 'equalizing' federal transit investment by distributing it thinly across Canada would diminish its strategic application and the benefits for the country writ large."

– Mowat Centre for Policy Innovation, Putting Canada on Track: A Blueprint for a National Transit Framework, 2011.

A national border crossings and gateways strategy will ensure Canada's major gateways and trade corridors continue to facilitate efficient international trade, rather than become bottlenecks. The federal government has invested in border crossings and gateways through the Gateways and Border Crossings Fund, the Asia-Pacific

Gateway, and other Gateway initiatives. Ontario believes funding for this critical infrastructure should be a continued focus in the federal long-term infrastructure plan. However, funding should not be allocated to gateways across separate programs that do not correspond with relative trade volume. Rather, it should be delivered through a single strategy that allocates funds across provinces and territories according to a defined, relevant metric, such as actual international trade activity levels. The federal government itself has acknowledged that "an effective gateway and corridor strategy must be highly targeted where volumes and values are most significant for Canada's economy overall."³⁴ This should include targeted funding that is allocated in a strategic way.



Ontario recommends that the federal long-term infrastructure plan:

- ◆ Adopt an overall strategic objective of promoting Canada's competitiveness and economic growth.
- ◆ Focus investment in core economic infrastructure to deliver maximum benefit to Canada's economic future, specifically: transportation, including highways, roads and bridges, and public transit; border crossings and gateways; and water and wastewater systems.
- ◆ Deliver funding to projects that are supported by strong business cases that clearly demonstrate anticipated economic benefits.
- ◆ Include dedicated funding for critical economic infrastructure, namely a national public transit strategy and a national border crossings and gateways strategy, which allocate dedicated funds across provinces and territories using relevant metrics.

chapter 3 | **Increase** Federal Investment

Increasing Investment to Remain Globally Competitive

It is not enough to focus investment on core economic infrastructure to support Canada's economic future: more total investment in infrastructure is needed.

Experts have widely asserted that Canada's infrastructure investment levels must increase to support continued economic growth. A 2010 independent study concluded that overall public infrastructure investment in Canada has averaged approximately 3.1 per cent of GDP since 2000, and should be increased by over 60 per cent to maximize potential economic returns.³⁵

Canada's level of public infrastructure investment is being overshadowed by investment levels among our competitors in the global marketplace. *The Economist*

reported that Europe "invests 5% of GDP in its infrastructure, while China is racing into the future at 9%."³⁶ It must be a shared policy objective across all jurisdictions and orders of government to realize the optimal level of investment in public infrastructure, given our shared interest in supporting a strong national economy.

The Federal Responsibility to Invest More

The federal government's 2011 Speech from the Throne states that jobs and growth remain the federal government's top priority; delivering on this priority requires national leadership and commitment to supporting infrastructure. Infrastructure investment is not a question of "who owns what," but of recognizing the critical role of infrastructure investment for competitiveness and economic growth, and investing accordingly.



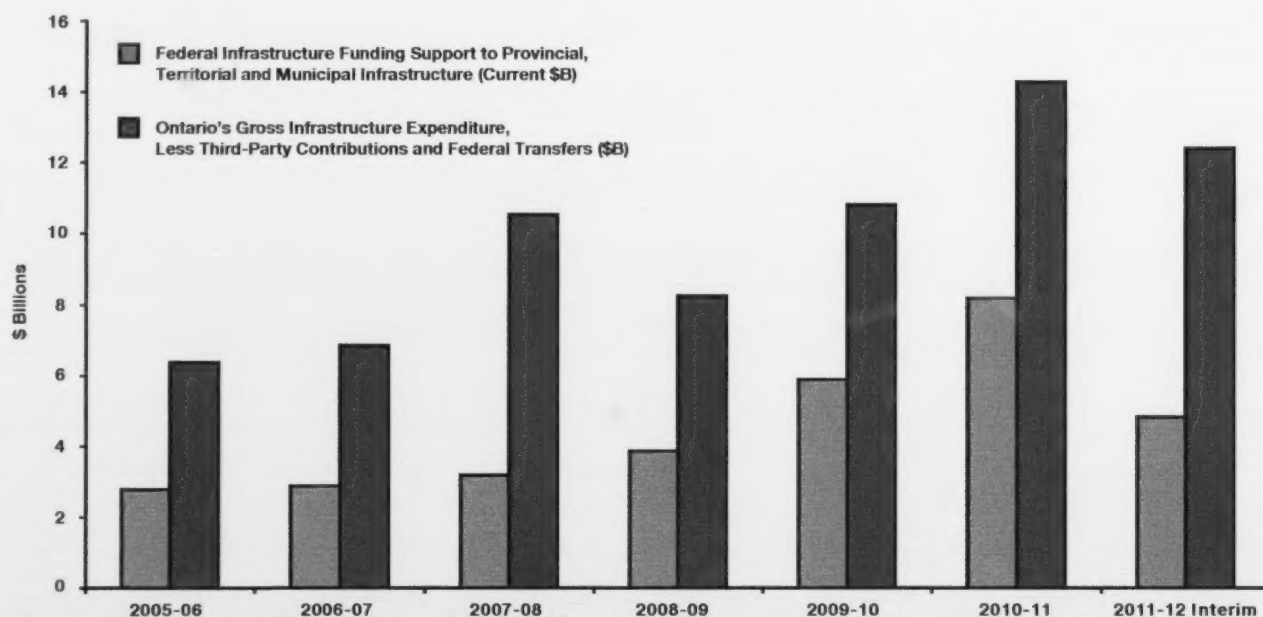
Federal infrastructure funding to provinces, territories and municipalities has been moving in the right direction since 2000, increasing from less than \$1 billion in 2000 to a peak of \$8.2 billion in 2010.³⁷ Ontario commends the federal government for increasing its infrastructure investment in the last decade. The federal government should invest more, however, and deliver funding through long-term commitments to enable sound infrastructure planning.



As seen in the figure below, federal infrastructure investment levels to all provinces, territories and municipalities combined are overshadowed by the Ontario government's infrastructure investment levels alone.⁴⁰ Federal investment levels are also a fraction of what municipalities spend on infrastructure. For example, in 2010,

over \$20.2 billion was invested in municipal infrastructure in Ontario alone.⁴¹ Furthermore, federal funding to provinces, territories and municipalities represented only two per cent of federal expenses in 2011-12.⁴² The federal government has the opportunity to invest more in infrastructure and achieve its national economic policy goals.

Comparison of Federal and Ontario Investments in Infrastructure



Infrastructure Investment by the Ontario Government and Federal Government⁴¹

	Ontario	Federal Government
2011-2012 Infrastructure Investment:	Over \$12.4 billion gross investment, net of federal transfers and third-party contributions.	\$4.8 billion in funding to provinces, territories and municipalities.
Percentage of 2011 GDP:	1.9 per cent	0.3 per cent

Per Capita Infrastructure Investment: Building Canada Plan vs. Provincial 2012-13 Budgets

Building Canada Plan Annual Per Capita Investment: ⁴²	Over \$140 (based on \$33 billion over seven years)
Average Planned 2012-13 Per Capita Investment in Infrastructure Across Provinces: ⁴³	Approximately \$1,300

Ontario believes that the federal government should increase infrastructure funding to provinces, territories and municipalities. Increased federal investment is not only a national economic imperative, but a matter of aligning investment levels with fiscal capacity across orders of government. With its considerable revenue-raising capacity and a forecasted fiscal surplus in 2015-16,⁴⁴ the federal government should increase infrastructure transfers to other governments in Canada.

Other national governments — Canada's global competitors — recognize the economic imperative of increasing infrastructure investment. Canada's federal government should follow suit if it is committed to attracting business and supporting Canada's international trade activity.⁴⁵

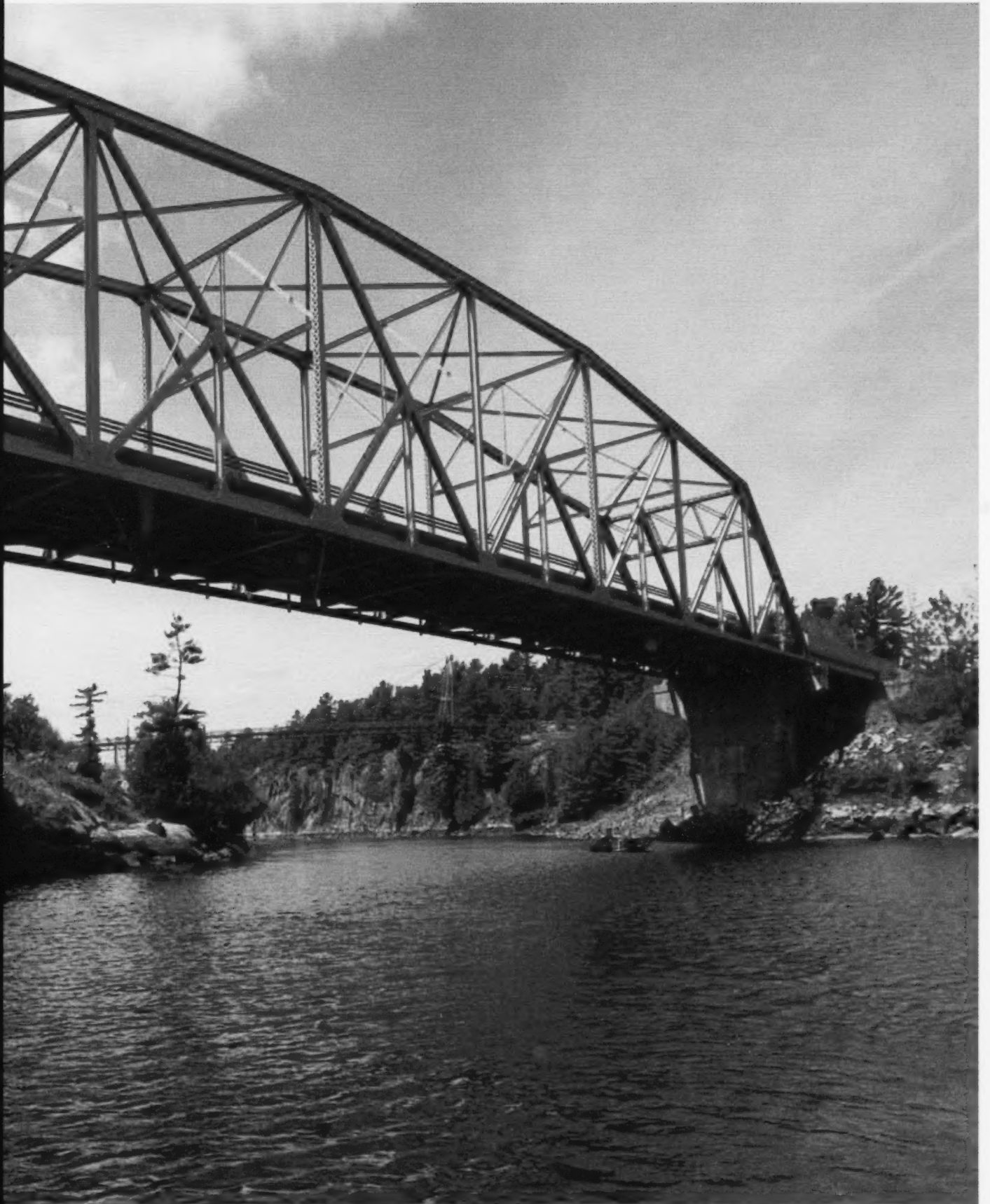
- ◆ The 2012 United States Federal Budget proposed \$556 billion over six years to improve the country's surface transportation infrastructure, specifically highways, transit and rail. This equals nearly \$300 per capita per year on transportation infrastructure alone.⁴⁶
- ◆ Australia's Nation Building Program has allocated \$36 billion to its states and territories over six years to support land transport infrastructure. This equals approximately \$265 per capita per year for road and rail infrastructure alone.⁴⁷
- ◆ In comparison, the Building Canada Plan allocated just over \$140 per capita per year for 17 infrastructure categories.

The Building Canada Plan expires in 2014, but most of the programs have already been fully allocated. In a time of global economic uncertainty, Canada cannot afford to delay infrastructure investments that will boost our productivity and competitiveness, or we will fall behind our counterparts across the globe. Ontario's view is that the plan and associated funding should begin as soon as possible, to avoid gaps in infrastructure funding that make it difficult for provinces and territories to carry out long-term infrastructure planning.

Ontario recommends that the federal long-term infrastructure plan:

- ◆ Support the shared public policy objective of achieving optimal levels of public infrastructure investment, by increasing federal funding to provinces, territories and municipalities for infrastructure.
- ◆ Begin delivering funding to provinces and territories as soon as possible.





chapter 4 | Investing in Ontario

to Invest in the Nation

Ontario's Importance in the National Economy

Ontario's well-diversified economy means that the province plays a key role in Canada's economy, both present and future. While Ontario remains a manufacturing centre, it is also home to approximately half of Canada's total technology and communications industry, including leaders such as IBM Canada and Celestica.⁴³

The federal long-term infrastructure plan should target investment in Ontario to maximize national economic impact. Ontario's infrastructure supports the prosperity and well-being of not only Ontarians, but all Canadians. Ontario remains the largest province in terms of economic activity and a hub of international trade and business.

What is more, each region in Ontario plays an important role in supporting Canada's economic strength and high quality of life, as seen in the map to the right.⁵⁰

Within Ontario, the Toronto region is undeniably the heart of Canadian business given its share of business headquarters, the national workforce, and the size of its financial services industry. It is a global city that is recognized in numerous international rankings as a high-quality place to invest, work, and live. For instance, PriceWaterhouseCoopers' 2011 *Cities of Opportunity* report ranked Toronto second overall, behind New York City, out of 26 major cities from all regions in the world, and ranked Toronto second on intellectual capital and innovation.⁵¹

Ontario's Contribution to Canada's Trade Activity:⁴⁹

- ◆ Ontario's international trade, including imports and exports, totalled \$437 billion in 2011, which represented 49 per cent of all Canadian international trade.
- ◆ In 2010, \$581 million worth of goods travelled across Ontario-United States road border crossings each day, including imports and exports.
- ◆ In 2007 (the latest available statistics on GDP trade impacts), international trade through Ontario supported: over 400,000 jobs in Quebec; over 48,000 jobs in Atlantic Canada; and over 200,000 jobs in Western Canada.
- ◆ Ontario's international exports are expected to increase by an average of three per cent per year over the next 20 years (from 2012-2032).





Ontario's Regions: Supporting Canada's Economic Strength

- ✦ Ontario is Canada's leading mineral producer.
- ✦ The value of Ontario's mineral industry is about \$8 billion.

- ✦ The Ring of Fire contains one of the largest chromite deposits in the world — a key ingredient in stainless steel.
- ✦ The forests, peatlands and wetlands that make up the Far North sequester more than 12 million tonnes of carbon dioxide from the air each year. In total, the Far North stores the equivalent of 97 billion tonnes of carbon dioxide.



- ✦ The National Capital Region and Kingston have Canada's most highly educated workforce.
- ✦ The Eastern Ontario Regional Broadband Network will help provide dependable high-speed internet access to most of the residents and businesses outside the region's major cities.
- ✦ Key economic opportunities in eastern Ontario are in the nuclear, aerospace, supply chain management, and high-tech sectors.

- ✦ Southwestern Ontario is Canada's automotive region, producing more than 35% of all vehicles manufactured in the country.
- ✦ It is home to some of the best agricultural land in North America, more than 60% of which is dedicated to oilseed, grain or cattle farming.
- ✦ 69% of Canada to United States exports and 48% of United States to Canada imports flow through the southwest region.

- ✦ The Greater Golden Horseshoe region is Canada's biggest metropolitan economy and is home to 40% of the nation's business headquarters.
- ✦ The region comprises about 25% of Canada's GDP.
- ✦ Toronto is North America's second largest financial services centre and is home to 75% of Canada's foreign banks, and 65% of Canada's pension fund companies.



Investing in Ontario to Maximize Return on Federal Investment

Ontario is the hub of numerous industries that support jobs and growth across Canada, as well as the main gateway of Canada's international trade. Focusing federal infrastructure funding in Ontario will maximize the impact of investment on national economic growth and competitiveness, and will deliver spillover effects from coast to coast to coast.

"Each dollar of real public infrastructure spending [in Ontario] generates \$1.11 in real GDP."

– Conference Board of Canada, The Economic Impact of Public Infrastructure in Ontario, 2010.

An example of this is the Ring of Fire development project in Northern Ontario. The Ring of Fire is one of the most promising mineral development opportunities in Ontario in almost a century, with one of the largest chromite deposits in North America. As Premier McGuinty noted in his May 8, 2012, letter to Prime Minister Harper on this important subject:

"The economies of China and India are projected to grow substantially over the next several years and will fuel further demand for raw materials such as chromite. As a new commodity, the production of chromite would allow us to compete for the first time with jurisdictions such as South Africa. The Ring of Fire, therefore, represents a strategic economic opportunity for Ontario and Canada."

These valuable deposits are in a remote and wet region with no power access; significant investments are required to develop the necessary infrastructure, particularly transportation infrastructure. Ontario is seeking federal government support to take full advantage of this important opportunity for economic and social development. Not only does this project promise to deliver nationally significant economic impacts and job creation, it will promote education, training, social development, and economic well-being among First Nations communities in the region. Expanding economic opportunities for Aboriginal peoples and on-reserve infrastructure improvements are major policy objectives of the federal government as outlined in the 2012 federal budget.

A Fair and Strategic Method for Allocating Funding

Federal infrastructure funding must be allocated using methods that align investment to deliver maximum economic returns, and that are equitable and fair across jurisdictions. Ontario recommends that the federal government use primarily per capita calculations as the method for allocating infrastructure funding across provinces and territories, as well as relevant metrics to allocate funding for strategic infrastructure investments such as a national public transit strategy and a national border crossings and gateways strategy. Transit funding should be allocated according to ridership and population. Ontario's method to distribute the provincial Gas Tax Program can serve as a useful model. Funding is allocated using a formula based 70 per cent on ridership and 30 per cent on population. Border crossings and gateway funding should be allocated to reflect actual international trade activity.

This approach to allocating funds better reflects the importance of infrastructure in terms of benefits generated for the national economy. Distributing funding across provinces and territories using primarily per capita allocations and strategic relevant metrics for targeted programs will ensure that investment is aligned with actual economic activity: it is a strategic approach. At the same time, it is fair and equitable. Public transit and border crossings and gateways require investment that reflects ridership and trade activity; it is fair and appropriate to allocate funding according to these metrics. Furthermore, without these dedicated and strategic funds, jurisdictions with significant transit systems and trade activity must divert considerable resources to these capital-intensive activities that benefit the national economy. This means that some jurisdictions have, in the end, a much lower per capita share of federal funding to support important infrastructure assets, such as highways, roads, bridges, water systems, and wastewater systems.

To equitably and strategically deliver funding to provinces and territories, the federal government should use primarily per capita allocations and dedicated funding to support public transit and border crossings and gateways, allocated based on relevant metrics.

Ontario recommends that the federal long-term infrastructure plan:

- ◆ Allocate federal funding across provinces and territories using primarily per capita allocations, as well as allocations based on relevant metrics for a national transit strategy and a national border crossings and gateways strategy.

chapter 5 | **Asset** Management Planning

The “Information Gap” in Infrastructure Investment

Governments in Canada cannot afford to let critical infrastructure crumble, or to spend money investing in infrastructure that is not the highest priority. The solution is to identify priorities and align investments from different orders of government.

Understanding the extent, age, and condition of infrastructure enables decision-makers to identify the various investment needs across infrastructure assets, and their relative priority. It also empowers officials to invest in renewal and repair when needed, rather than wait and face higher replacement costs.

Unfortunately, we do not have complete information on the state of infrastructure in Canada. Without asset management plans

in place, it is difficult for municipalities to identify their most urgent infrastructure needs. Ontario has heard from our municipal partners that they may lack the staff capacity, expertise, resources and tools to engage in asset management planning.

Without this information, however, municipalities seek federal and provincial/territorial funding for projects that are not always an objective priority. Federal and provincial/territorial governments do not have the appropriate information on assets in order to prioritize funding requests.

Ontario's long-term infrastructure plan, *Building Together*, includes important steps to strengthen asset management planning and practices. Each provincial ministry that owns and operates infrastructure is required to prepare and update an annual inventory of its infrastructure assets and a

plan to maintain these assets, based on a consistent framework. Reflecting this work, Ontario will regularly release a *State of Ontario's Infrastructure* report that will describe the infrastructure portfolio and give key performance measures and benchmarks. As well, any university, municipality, social service agency, or other transfer payment partner seeking significant provincial capital funding will be required to publish a detailed public asset management plan. These plans must describe the proponent's infrastructure portfolio and identify gaps. The analysis supporting the specific request must be developed in the context of the entire portfolio covered by the asset management plan.

Ontario's Municipal Infrastructure Strategy:

Ontario has recently released a Municipal Infrastructure Strategy, which will require municipalities that request provincial infrastructure funding to show how projects fit within a comprehensive asset management plan. Asset management plans help municipalities make smart planning decisions about building, operating, maintaining, renewing and replacing infrastructure over the long-term.

Through the strategy, Ontario is providing \$60 million over the next three years to municipalities. Up to \$9 million will be used to help municipalities prepare their plans, while the remaining funds will be used to address critical projects identified in those finalized plans.

Eligible communities can apply for funding to help them prepare asset management plans. The deadline to apply is October 22, 2012. An online guide and toolkit are available to help municipalities prepare their asset management plans. More information about the strategy is available at www.ontario.ca/municipalinfrastructure.



How to Incorporate Asset Management in the Federal Long-Term Infrastructure Plan

Ontario is emphasizing smart decision-making and asset management to make the most of limited resources. Ontario encourages the federal government to also emphasize asset management in its long-term infrastructure plan.

"The federal and provincial governments can easily adjust their policy frameworks to include asset management as part of their objectives."

– Guy Félio, "Managing Canada's Infrastructure Gap," Policy Options, December 2007-January 2008.

Ontario recommends that across all federal infrastructure programs, investment decisions should be based on objective, high-quality information about assets. Ontario urges the federal government to require funding proposals to incorporate the proponent's asset management plan in the business case and request. The federal government and provincial and territorial governments should consider asset management planning information when selecting projects, with a focus on core economic infrastructure. Municipalities that have worked hard to develop asset management plans will be well-positioned to participate in these federal programs.

Ontario also recommends that the federal long-term infrastructure plan support capacity-building for asset management in small communities, to help them with asset management planning. The Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF), for example, was a good start in helping municipalities and local services boards improve and increase their capacity to manage their infrastructure assets. More can — and should — be done.

The federal long-term infrastructure plan should include a distinct funding program to help jurisdictions acquire the resources and expertise needed to create, maintain, and use asset management plans. Targeted assistance will ensure small communities, just like larger communities and Ontario, can identify optimal areas for investment on an ongoing basis.

Ontario recommends that the federal long-term infrastructure plan:

- ◆ Require asset management information to be incorporated in funding requests across all federal infrastructure programs so that federal, provincial and territorial governments can effectively identify investment needs and prioritize projects.
- ◆ Include targeted funding to provinces and territories to strengthen asset management capacity in communities that lack the capacity to undertake asset management activities on an ongoing basis.

chapter 6 | **Private** Sector Innovation

Maximizing Value for Money Through Alternative Financing and Procurement

Maximizing the value of public infrastructure investment requires not only smart planning, but also using innovative project delivery methods and maximizing expertise from outside of government.

Since it was established in 2005, Infrastructure Ontario has brought more than 50 provincial AFP projects to the market, worth close to \$21 billion in capital construction.

Alternative Financing and Procurement (AFP) projects, or Public-Private Partnerships (P3s), deliver value for money by involving the private sector in infrastructure project delivery. As such, AFPs can deliver savings by leveraging private sector expertise and innovation, and appropriately allocating risk across the public and private sector partners. Having private-sector firms pay for cost or budget overruns creates the correct incentives to ensure that projects are delivered on time and on budget. Research demonstrates that AFP projects have delivered substantial savings to Ontario, British Columbia, Alberta and Quebec.⁵²

Through Infrastructure Ontario (IO), the Ontario government has used the AFP model to complete over 20 large projects and to realize value for money savings of over half a billion dollars since 2005. Ontario is proud that IO's expertise has been recognized internationally and by P3 Canada. IO and P3 Canada have partnered together to support P3 Canada initiatives in Ontario, working with municipalities and on provincial infrastructure projects.

P3/AFP projects in Canada deliver efficiency gains from a few million dollars to over \$750 million per project, or savings of 0.8 per cent to 61.2 per cent of the project cost with a conventional procurement approach.

– Conference Board of Canada, Dispelling the Myth: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments, 2010.

Ontario's 10-year infrastructure plan, *Building Together*, outlines the steps Ontario is taking to build upon the success of AFPs. IO will have a larger role in procuring infrastructure, and will support implementation of the

Growth Plan for Northern Ontario. As well, recipients of provincial infrastructure project grants in excess of \$100 million will consult with IO to determine how and whether IO can assist with their procurement. For example, IO is working with the City of Ottawa to provide procurement advisory services in selecting a consortium to deliver the Ottawa Light Rail Transit project.

How to Promote Innovative Financing in the Federal Long-Term Infrastructure Plan

In the current climate of fiscal restraint, governments must leverage private-sector expertise to maximize value for money. Ontario believes the federal long-term infrastructure plan should promote greater use of AFPs where appropriate across jurisdictions. The establishment of the P3 Canada Fund was an important step for the federal government in recognizing



the potential role of AFPs in delivering infrastructure projects. The use of AFPs needs to be expanded and encouraged even more, when value for money savings can be realized.

Greater incentives should be provided by the federal government to expand the use of AFPs across municipalities and develop the market. Funding agreements under the Building Canada Plan included a "P3 screen" that required projects with a federal funding contribution over a specified amount to be considered for P3/AFP applicability. Ontario believes that such a screen is important and should be used more actively in the federal long-term infrastructure plan. As well, rather than one dedicated fund to support AFPs,

"The skills, resources and innovation of the private sector, deployed worldwide, alongside those of the public sector, are needed to address the infrastructure challenge."

– KPMG International, The Changing Face of Infrastructure: Public Sector Perspectives, 2010.

federal funding should provide incentives to support the AFP model across all federal infrastructure programs when value for money savings are achievable. It should not be an either/or between P3 Canada funding or funding through another federal program. For example, the federal share of project costs could increase beyond one-third if the municipality appropriately leverages the AFP model to realize value for money savings, to incentivize the use of AFPs.

In addition to incentivizing the use of AFPs, capacity-building should be a focus for the federal long-term infrastructure plan. Our municipal partners have told Ontario that while senior orders of government have actively advocated for AFP use, there is sometimes limited capacity to execute such sophisticated financing procurement at a local level. This is especially true for smaller municipalities that may lack the resources necessary to engage private sector infrastructure and project finance advisors. Many municipalities have high potential to attract private sector partners and realize financial savings from the AFP model. IO and P3 Canada are already looking at educational outreach programs, such as delivering workshops and training sessions to municipalities across Ontario. We have evidence that such training initiatives are

effective and that municipalities are now starting to develop a sound understanding of the P3 model. Ontario encourages the federal government to continue to deliver effective and targeted education and training to municipalities across Canada to bridge this gap.



Ontario recommends that the federal long-term infrastructure plan:

- ◆ Promote the wider use of AFPs across all federal infrastructure funding programs and jurisdictions when appropriate through stronger incentives.
- ◆ Focus on educational outreach to build capacity across municipalities and smaller public authorities on how to effectively use AFPs to maximize value for money.

chapter 7 | **Streamline** Administration

Investing in Projects that Deliver Maximum Benefits

Through the Building Canada Plan and the Economic Action Plan, the federal government, Ontario, and our municipal partners have delivered important infrastructure projects that have supported the economy and the well-being of communities. All governments should now collaborate on ways that infrastructure funding programs can be improved, so all Canadians can benefit. We can take this opportunity to look closely at specific program design features — like rules and procedures — to identify how to maximize positive outcomes of investment even more.

The federal principle of incrementality is intended to ensure that federal infrastructure investments result in additional benefits that would not otherwise be realized, since it ensures that federal investments enable

projects to proceed that otherwise would not have gone forward. Unfortunately, this principle has skewed investment incentives and decision-making away from maximizing economic outcomes.

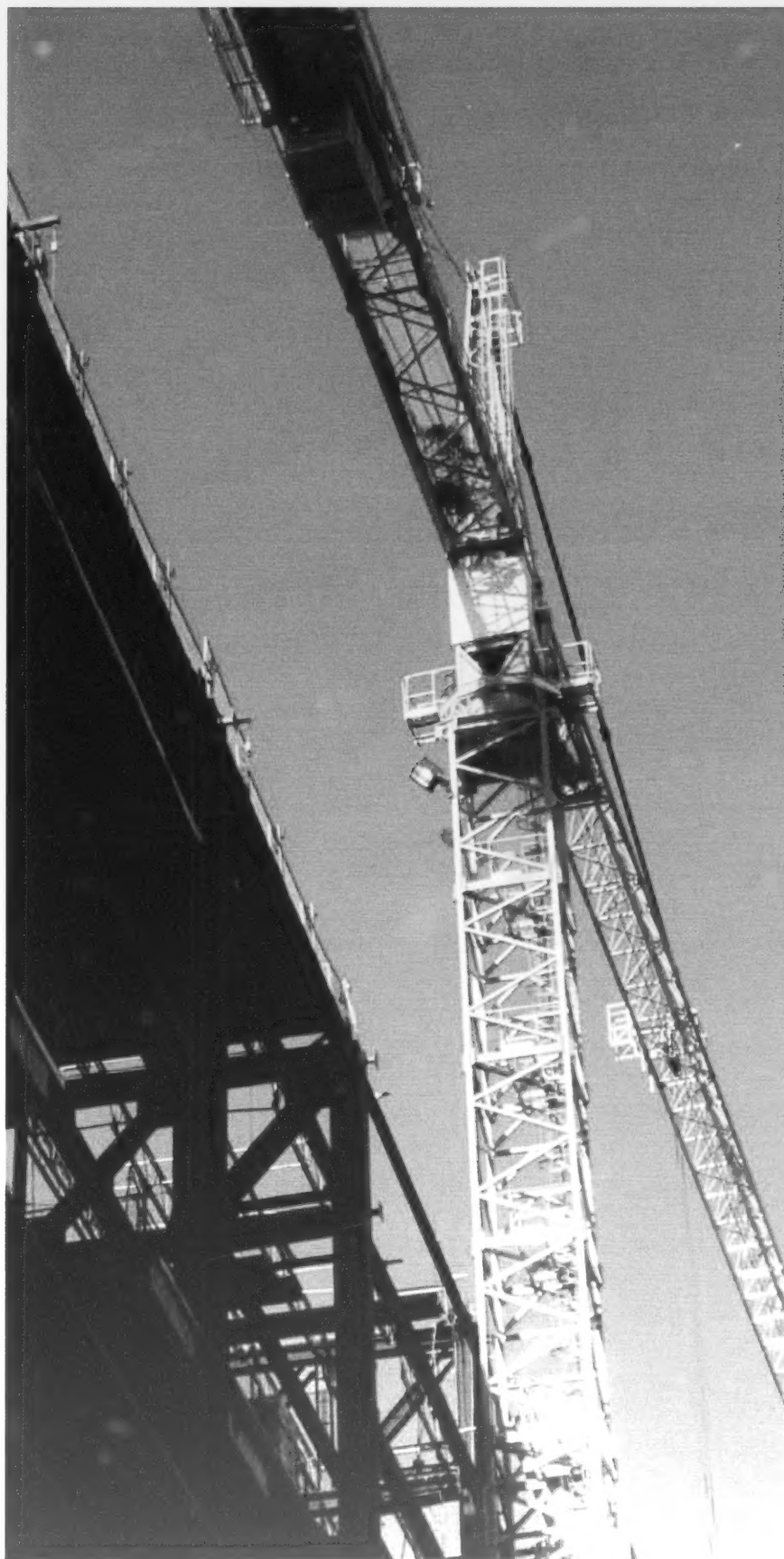
Incrementality means that federal investment is not aligned with infrastructure projects that are of the greatest benefit and strategic value; these projects are often already on track to proceed and are not eligible. Consequently, jurisdictions will apply for federal funding to support lower-priority projects not yet underway, thereby distorting federal investment priorities and dispersing funds away from investments that contribute the most to the economy.

Ontario believes it is important that incrementality be modified. We propose that the concept of 'benefits from investment' be expanded to consider not only whether a project would not have otherwise gone forward without federal funding,

but also faster project completion times, greater certainty for project completion, and investing in economically beneficial projects. Expanding the understanding of 'benefit realized' when applying the principle of incrementality will ensure that federal investment can complement provincial and territorial investment priorities that may be on track to proceed, but would still greatly benefit from federal support.

In addition, Ontario recommends the federal government redefine rigid cost-sharing rules if it wishes to invest in the most important and beneficial infrastructure projects. Like incrementality, cost-sharing requirements are rooted in an important objective — ensuring all orders of government contribute to delivering infrastructure projects. However, like incrementality, this rule can distort federal investment away from delivering the most economically important projects if it is applied with a narrow, rigid definition.





Critical projects that could deliver maximum results do not always go forward since the partner(s) cannot equally contribute, or cannot contribute according to rigid schedules. To align federal funding with maximum outcomes, Ontario encourages the federal government to incorporate flexibility around cost-sharing in its next long-term infrastructure plan.

Emphasizing Outcomes and Efficiency in Program Administration

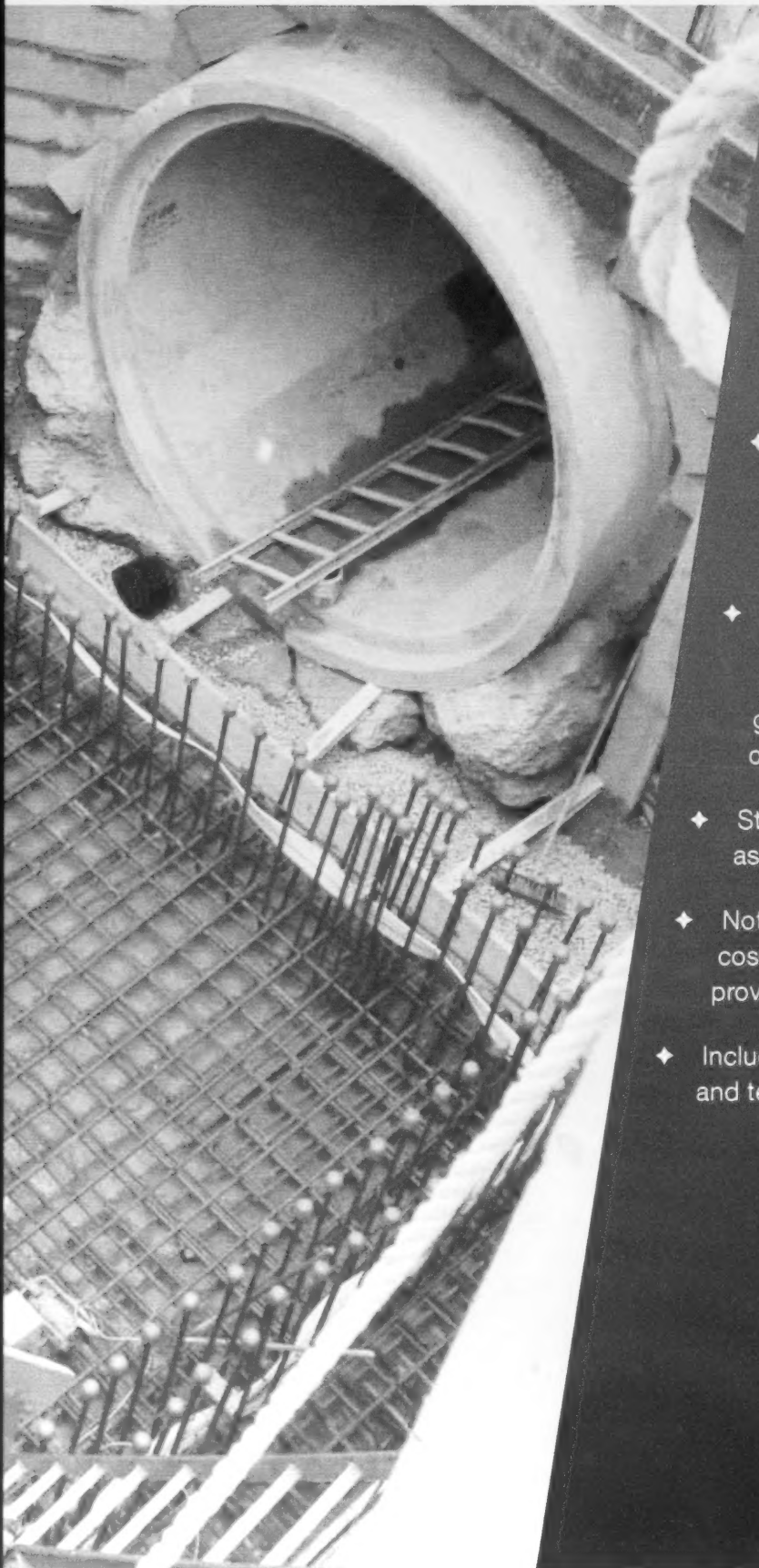
Moving to web-based applications for federal infrastructure funding was an important step in improving administrative efficiency so that benefits are realized faster. Ontario has identified further improvements to program design that will ensure the focus is placed on maximizing outcomes, and minimizing inefficiencies. It is in the interest of all orders of government — federal, provincial, territorial, and municipal — to minimize the administrative burden of federal infrastructure programs. Doing so means that less of the program's funding is carved out to cover administration, and projects can be delivered more quickly.

Provinces and territories are responsible orders of government with strong accountability measures in place. The federal government should respect the capacity of provincial and territorial governments to manage infrastructure funds independently and effectively, and minimize unnecessary and inefficient administrative procedures that merely delay projects from proceeding and benefiting our communities. Ontario encourages the federal government to focus on reviewing investment outcomes and performance measures, rather than procedural components like financial claims.

Ontario also encourages the federal government to streamline administrative processes under the long-term infrastructure plan. For example, the number of bilateral agreements negotiated with each province and territory can be minimized and structured with some flexibility to allow for changes over the course of the long-term infrastructure plan. Finally, administrative costs should not be carved out of program capital allocations, so that funding goes to delivering projects and results.

During consultations to develop Ontario's long-term infrastructure plan, *Building Together*, we heard wide consensus among broader public sector leaders and stakeholders that they need government to deliver long-term infrastructure plans that reflect long-term infrastructure projects and decision-making timelines. Accordingly, Ontario has put a 10-year plan in place. We encourage the federal government to deliver a long-term plan of 10 or more years, with predictable funding commitments. The federal government has already recognized the importance of providing jurisdictions with long-term, predictable funding commitments when it made the Gas Tax Fund permanent through legislation. Funding certainty is important across all funding programs, to all orders of government, to make efficient and effective long-term investment plans and decisions.





Ontario recommends that the federal long-term infrastructure plan:

- ◆ Maximize the economic impact of investment by redefining incrementality as a project criterion, so that all orders of government can work together to invest in the most critical projects.
- ◆ Include flexibility around cost-sharing so that economically important projects can still go forward even if all partners cannot contribute equally.
- ◆ Deliver more autonomy to provinces and territories for program delivery and administration, with the federal government focused on reviewing outcomes and performance measures.
- ◆ Streamline administrative processes, such as the negotiation of bilateral agreements.
- ◆ Not carve out federal administrative costs from program capital allocations to provinces and territories.
- ◆ Include funding commitments to provinces and territories for 10 or more years.

chapter 8 | Conclusion

A Federal Long-Term Infrastructure Plan to Promote Competitiveness and Economic Growth

Canada's provincial, territorial, municipal, and federal governments have taken great strides in the last decade to collaboratively work to increase investment to meet our infrastructure needs. Through the Building Canada Plan and the Economic Action Plan, Ontario and the federal government have delivered significant infrastructure renewal and development projects that have supported our provincial and national economy in difficult and uncertain times.

Yet, we are not out of the woods. National infrastructure needs are substantial, the economy is still exposed to significant risks, and governments are working hard to eliminate fiscal deficits. Through our long-term infrastructure plan, *Building Together*, Ontario has committed to making smarter infrastructure investments that support our economic growth. Ontario's recommendations for the federal long-term infrastructure plan reflect the principles and strategies we have adopted, while taking into account the federal government's national perspective. Working together, Ontario and the federal government can achieve our shared objectives.

Ontario is working to maximize the economic gains from our infrastructure investments by focusing on core economic infrastructure and centres of economic activity. The federal government will get the greatest return on investment if it also focuses on core economic infrastructure, as well as projects that can demonstrate significant economic benefits. Funding should be distributed to provinces and territories primarily on a per capita basis. In addition, Ontario

recommends the federal government's long-term infrastructure plan include a national public transit strategy with additional, targeted funding allocated according to relevant metrics, such as share of national transit ridership and population. Canada's economic future will also benefit from a more robust national border crossings and gateways strategy that aligns additional, dedicated funding to gateway provinces and territories using relevant metrics, such as share of international trade.

Ontario is committed to making smarter investments in infrastructure by emphasizing asset management planning and innovative procurement in our long-term infrastructure plan. We encourage the federal government to share our commitment to investing smarter. This includes incorporating asset information when making funding decisions and supporting asset management capacity-building in small communities. Encouraging

governments across Canada to use AFPs more widely, and supporting capacity-building to leverage this model, will enable provinces, territories, and municipalities to realize the same value for money savings as Ontario.

Ontario and the federal government have collaborated effectively to deliver infrastructure projects across the province. From our collective experience, we can identify areas for improvement in program design to realize even greater outcomes. Reconsidering our understanding of incrementality, adding flexibility to cost-sharing, and streamlining administration will increase the outcomes we realize together.

Canadians cannot afford to wait until after the end of the Building Canada Plan in 2014 for the next federal long-term infrastructure plan to launch. There is no time to waste. The need for federal investment is real, it is considerable, and it is urgent.



Summary of Ontario's Recommendations

Ontario recommends that the federal long-term infrastructure plan reflect the following principles and recommendations:

A. Invest in key economic infrastructure: To support continued economic growth in this period of uncertainty, and to bolster Canada's position in an increasingly competitive global market, infrastructure investment should focus on core economic infrastructure.

- i. Adopt an overall strategic objective of promoting Canada's competitiveness and economic growth.
- ii. Focus investment in core economic infrastructure to deliver maximum benefit to Canada's economic future, specifically: transportation, including highways, roads and bridges, and public transit; border crossings and gateways; and water and wastewater systems.
- iii. Deliver funding to projects that are supported by strong business cases that clearly demonstrate anticipated economic benefits.
- iv. Include dedicated funding for critical economic infrastructure, namely a national public transit strategy and a national border crossings and gateways strategy, which allocate dedicated funds across provinces and territories using relevant metrics.

B. Increase federal investment: All governments in Canada have a shared interest in realizing the optimal level of infrastructure investment. The federal government should increase its level of infrastructure investment and launch the long-term infrastructure plan as quickly as possible. Such action is critical for Canada to compete in the global economy, to achieve our shared economic policy objectives, and to support fiscal fairness.

- i. Support the shared public policy objective of achieving optimal levels of public infrastructure investment, by increasing federal funding to provinces, territories and municipalities for infrastructure.
- ii. Begin delivering funding to provinces and territories as soon as possible.
- iii. Allocate federal funding across provinces and territories using primarily per capita allocations, as well as allocations based on relevant metrics for a national transit strategy and a national border crossings and gateways strategy.

C. Asset management planning: With a significant infrastructure deficit and constrained resources, all governments must invest wisely in the most critical infrastructure needs. To do so requires detailed and objective information on assets and well-developed asset management plans across jurisdictions.

- i. Require asset management information to be incorporated in funding requests across all federal infrastructure programs so that federal, provincial and territorial governments can effectively identify investment needs and prioritize projects.
- ii. Include targeted funding to provinces and territories to strengthen asset management capacity in communities that lack the capacity to undertake asset management activities on an ongoing basis.

D. Private sector innovation: Governments can realize significant value for money savings by leveraging the expertise and experience of private sector partners through AFPs. There is a lack of capacity and willingness, however, across many governments to effectively leverage this project delivery model.

- i. Promote the wider use of AFPs across all federal infrastructure funding programs and jurisdictions when appropriate through stronger incentives.
- ii. Focus on educational outreach to build capacity across municipalities and smaller public authorities on how to effectively use AFPs to maximize value for money.

E. Streamline administration: Governments should build on the successes of the Building Canada Plan and the Economic Action Plan, by identifying ways to improve program rules and processes that have prevented us from realizing the best possible outcomes from our investments.

- i. Maximize the economic impact of investment by redefining incrementality as a project criterion, so that all orders of government can work together to invest in the most critical projects.
- ii. Include flexibility around cost-sharing so that economically important projects can still go forward even if all partners cannot contribute equally.
- iii. Deliver more autonomy to provinces and territories for program delivery and administration, with the federal government focused on reviewing outcomes and performance measures.
- iv. Streamline administrative processes, such as the negotiation of bilateral agreements.
- v. Not carve out federal administrative costs from program capital allocations to provinces and territories.
- vi. Include funding commitments to provinces and territories for 10 or more years.





Courtesy of William Conway/Progress Photography

9 | Notes

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